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California Safe Drinking Water Bond Law of 1986

Official Title and Summary Prepared by the Attorney General

CALIFORNIA SAFE DRINKING WATER BOND LAW OF 1986. This act provides for a bond issue of one hundred million dollars (\$100,000,000) to provide funds for improvement of domestic water systems to meet minimum drinking water standards.

Final Vote Cast by the Legislature on AB 2668 (Proposition 55)

Assembly: Ayes 67
Noes 5

Senate: Ayes 32
Noes 1

Analysis by the Legislative Analyst

Background

Since 1960 the state has made loans and grants to help pay for local water supply systems. The state has sold general obligation bonds to raise this money. All but about \$50 million of the \$380 million authorized by previous bond acts will be spent or committed by November 1986.

The Department of Water Resources administers the safe drinking water program in cooperation with the Department of Health Services. The Department of Health Services has estimated that a total of \$500 million is needed to eliminate health hazards in 900 of the state's local water systems.

Proposal

This measure would permit the state to sell \$100 million of general obligation bonds to make loans and grants for local water systems. General obligation bonds are backed by the state, meaning that the state will use its taxing power to assure that enough money is available to pay off the bonds. The state's General Fund would be used to pay the net principal and interest costs on these bonds. General Fund revenues are derived primarily from the state corporate and personal income taxes and the state sales tax.

The Department of Water Resources would use the money from the sale of the bonds for loans and grants to public and private water suppliers to bring drinking water quality up to state health standards. The loans and grants could be used for constructing, improving, or rehabilitating water systems to meet drinking water standards.

Loans. First priority for the loans would go to water suppliers whose facilities pose the most critical public health problems. The maximum loan to any water supplier would be \$5 million, unless the Legislature raises this limit. The interest rate on these loans would be one-half of the interest rate that the state pays on the bonds.

Grants and Other Uses. Although all of the bond money could be used for loans, part of the money could be used for other purposes, such as:

1. Up to \$25 million for *grants* to public agencies that supply water in order to make up the difference between

the cost of a project and the loan amount the agencies can repay. The maximum grant to any supplier would be \$400,000.

2. Up to \$3 million for *short-term loans or grants* to water suppliers to study and identify ways of improving their water systems. Up to \$1 million could be used for grants to public agencies.

3. Up to \$5 million for *administrative costs* of the Department of Water Resources and Department of Health Services. About \$3 million of these costs would be repaid from fees charged to the loan recipients.

4. Up to \$1.5 million for *legal expenses* of the Attorney General.

Reduced Interest Rate on Other Loans. This measure also reduces the interest rate on existing and new loans made from the 1984 Safe Drinking Water Bond Fund. Under the 1984 Bond Law, about \$50 million can be loaned at the same interest rate paid by the state on the bonds. This measure would lower the interest rate on these loans to one-half of the rate that the state pays on the bonds.

Fiscal Effect

Paying Off the Bonds. For these types of bonds the state typically would make principal and interest payments over a period of up to 30 years from the state's General Fund. The average payment would be about \$8.1 million each year if the bonds were sold at an interest rate of 7.5 percent.

Net Costs. If all of the loans are repaid on time, the *net* state cost could average up to \$5.5 million each year for 30 years, for a total of \$165 million. This net cost would consist of (1) up to \$28.5 million for grants, administrative, and legal costs, and (2) one-half of the interest cost on the new bonds and the 1984 bonds because loans would be provided at a reduced interest rate. Over the 30 years, the total interest subsidy would be \$94.5 million for the new bonds, and \$42 million for the 1984 bonds.

Borrowing Costs for Other Bonds. By increasing the amount which the state borrows, this measure may cause the state and local governments to pay more under other bond programs. These costs cannot be estimated.

State Revenues. Purchasers of these bonds are not re-

quired to pay state income tax on the interest they earn. Therefore, if California taxpayers buy these bonds instead

of making other taxable investments, the state would collect less taxes. This loss cannot be estimated.

Text of Proposed Law

This law proposed by Assembly Bill 2668 (Statutes of 1986, Chapter 410) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Water Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 10.7 (commencing with Section 13895) is added to Division 7 of the Water Code, to read:

CHAPTER 10.7. CALIFORNIA SAFE DRINKING WATER BOND LAW OF 1986

13895. This chapter shall be known and may be cited as the California Safe Drinking Water Bond Law of 1986.

13895.1. The Legislature hereby finds and declares all of the following:

(a) The State Department of Health Services has discovered toxic chemicals in 126 of California's large public drinking water systems.

(b) Many of the chemical contaminants in California's drinking water supplies are known or suspected of causing cancer, birth defects, and other serious illnesses.

(c) Following the passage of the California Safe Drinking Water Bond Law of 1984, the State Department of Health Services received 1,359 requests for eight hundred twenty-five million dollars (\$825,000,000) to improve public drinking water systems. The department has determined that an additional five hundred million dollars (\$500,000,000) is needed immediately for public water systems to correct deficiencies which pose a health hazard to enable hundreds of systems to meet minimum health standards.

(d) New monitoring programs for small public water systems are expected to identify many new toxic contamination problems. It is unlikely that these problems can be solved without financial assistance from the State of California.

13895.2. The Legislature further finds and declares that the protection of the health, safety, and welfare of the people of California requires that water supplied for domestic purposes be at all times pure, wholesome, and potable, and that it is in the interest of the people that the State of California provide technical and financial assistance to the end that the people of California are assured a safe, dependable, and potable supply of water for domestic purposes and that water is available in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes.

13895.3. The Legislature further finds and declares that it is the intent of the Legislature to provide for the upgrading of domestic water supply systems to assure that all domestic water supplies at least meet minimum domestic water supply standards established under Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

13895.4. The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds au-

thorized to be issued pursuant to this chapter, and the provisions of that law are included in this chapter as though set out in full in this chapter, except that notwithstanding anything in the State General Obligation Bond Law, the bonds authorized hereunder shall bear the rates of interest, or maximum rates, as may, from time to time, be fixed by the Treasurer, with the approval of the committee, and the maximum maturity of bonds shall not exceed 50 years from the date of the bonds, or from the date of each respective series. The maturity of each respective series shall be calculated from the date of the series.

13895.5. As used in this chapter, and for purposes of this chapter as used in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), the following terms shall have the following meanings:

(a) "Committee" means the Safe Drinking Water Finance Committee created by Section 13895.6.

(b) "Department" means the Department of Water Resources.

(c) "Domestic water system" means a system for the provision to the public of piped water for human consumption, if the system has at least five service connections or regularly supplies water to at least 25 individuals. The term includes any water supply, treatment, storage, and distribution facilities under the control of the operator of the system.

(d) "Fund" means the California Safe Drinking Water Fund.

(e) "Supplier" or "supplier of water" means any person, partnership, corporation, association, or other entity or political subdivision of the state which owns or operates a domestic water system.

(f) "Federal assistance" means funds available, or which may become available, to a supplier either directly or through allocation by the state from the federal government as grants or loans for the improvement of domestic water systems.

(g) "Treatment works" means any devices or systems used in the treatment of water supplies, including necessary lands, which render water supplies pure, wholesome, and potable for domestic purpose.

(h) "Project" means proposed facilities for the construction, improvement, or rehabilitation of the domestic water system, and may include water supply, treatment works, and all or part of a water distribution system, if necessary to carry out the purpose of this chapter.

(i) "Public agency" means any city, county, city and county, district, joint powers authority, or other political subdivision of the state which owns or operates a domestic water system. For purposes of this chapter, Chapter 10.2 (commencing with Section 13810), Chapter 10.5 (commencing with Section 13850), and Chapter 10.6 (commencing with Section 13880), a political subdivision of the state may be any public agency.

13895.6. The Safe Drinking Water Finance Committee is hereby created. The committee shall consist of the Governor, the Treasurer, the Director of Finance, the Director of Water Resources, and the State Director of Health Services or their designated representatives. A majority of

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Argument in Favor of Proposition 55

Vote yes on Proposition 55, the California Safe Drinking Water Bond Law of 1986.

Ensuring safe drinking water and the public health is a fundamental responsibility of the state. Citizens have recognized this need and responsibility in the past with their overwhelming approval of water bond issues in 1976, 1980 and 1984.

Yet, despite these efforts, we still have drinking water problems. Following the passage of the California Safe Drinking Water Bond Law of 1984, the State Department of Health Services received 1,359 requests for \$825 million to improve public drinking water systems in our state. This means that significant numbers of Californians continue to drink polluted water which fails to meet public health standards as set by the Department of Health Services. The Safe Drinking Water Bond Law of 1986 will address this urgent problem.

California's economic growth as well as our quality of life depends upon the availability of safe drinking water for all of our citizens. The 1986 Safe Drinking Water Bond Law will assist communities in modernizing their water systems and meeting direct health threats by bringing their drinking water up to primary drinking water standard levels. This bond law will provide \$75 million in loans and up to \$25 million in grants to small and medium water districts for construction, improvement, and rehabilitation of public and private drinking water systems. Grants will

be made on the basis of immediate health-related problems certified by the Department of Health Services. In all cases, the community must seek federal water project funding before applying to the state for assistance.

Support for this bond law is widespread and bipartisan. It is supported by the Association of California Water Agencies, the Health Officers Association of California, the California Council for Environmental and Economic Balance, the California PTA, the California Municipal Utilities Association, and the League of Women Voters.

All but a small portion of the 1984 Safe Drinking Water Bond funds have been allocated. The Department of Health Services continues to add community water suppliers to its priority health hazard list as new sources of contamination are discovered. This effort deserves your support. While we will not fully solve California's drinking water problems with this bond law, it will help us meet our most immediate needs. The safety of our communities and the health of our children deserve no less.

Support safe drinking water for all Californians. Vote YES on Proposition 55.

JACK O'CONNELL

Member of the Assembly, 35th District

ROBERT J. LAGOMARSINO

Member of Congress, 19th District

RICHARD KATZ

Member of the Assembly, 39th District

Rebuttal to Argument in Favor of Proposition 55

The November 1986 ballot contains a record high \$1,800,000,000 in bond measures proposed by the Legislature. They say that the taxpayers won't have to pay, but they don't tell us that there are millions of dollars in interest that will be due to bondholders.

This money must come from the pockets of taxpayers—not just those of us eligible to cast ballots in 1986, but taxpayers of many years in the future. Since our children and grandchildren do not have an opportunity to vote, we can only call these bond measures "taxation without representation," the same battle cry that led our forefathers to fight a revolution against the British Crown.

The politicians only seek bond financing of this expensive water treatment proposal because voters have limited their ability to constantly raise government spending.

Bonds are exempt from Proposition 4, passed by a 74% vote of the people in 1979, which limits the growth of state budgets. The maximum will soon be reached, and the politicians are scrambling to deceive the taxpayers while still maintaining all their government programs for special interest groups.

Don't make debtors out of our children. Vote NO on Proposition 55.

TED BROWN

Libertarian candidate for U.S. Representative, 25th District

LAURA G. BROWN

Libertarian candidate for State Senator, 24th District

STEPHEN I. MALMBERG

Libertarian candidate for State Board of Equalization, 4th District

Argument Against Proposition 55

Proposition 55 asks for \$100 million to improve water treatment and filtering systems to allegedly protect California drinking water supplies. While pure drinking water is an admirable goal, it seems improper for all the taxpayers of California to subsidize a project that will only benefit a few communities.

We believe that the communities which have aging or defective water systems should ask for money from the users of those systems. If the people who will benefit vote to pay, then the improvements will be made. If they vote "no," then the systems will remain as they are.

An even better solution would be to sell water treatment facilities to private businesses. With profit as an in-

centive, these companies would provide the service much more efficiently and economically than the government does. It would then be logical for the owners to pass any improvement costs along to their customers. This is the most fair and equitable solution.

We urge a "NO" vote on Proposition 55.

NORMA JEAN ALMODOVAR
Libertarian candidate for Lieutenant Governor

TED BROWN
Libertarian candidate for U.S. Representative, 25th District

LAURA G. BROWN
Libertarian candidate for State Senator, 24th District

Rebuttal to Argument Against Proposition 55

The opponents to Proposition 55 are misinformed about the California Safe Drinking Water Bond Law of 1986. Since the original Safe Drinking Water Bond Law was passed in 1976, community water districts statewide, in a majority of cases, have established a surcharge program consisting of a small fee on each monthly bill for repayment of the loans with a trust fund holding and disbursing debt service funds. Therefore, the loan program is repaid by user fees, not general local government property tax resources.

The opponents to Proposition 55 are clearly not informed about the magnitude of the problem facing our drinking water supply. Almost every day in the newspaper you read about a new source of contamination to our drinking water, especially toxic contamination. This contamination is not restricted to a certain area; the problem is statewide. The State Department of Health Services recently surveyed 2,800 large water systems in the state

for the presence of 100 chemicals. Nearly 20 percent of them had detectable levels of contaminants.

The California Safe Drinking Water Bond Law of 1986 is a program established to do precisely what government is designed to do: provide services in a timely manner which the citizenry cannot provide for themselves acting alone. With the passage of this bond measure, everyone benefits. Not only do your community water systems improve, but the general taxpayer is spared the necessity of funding health and safety costs which most surely will result from poor-quality drinking water.

JACK O'CONNELL
Member of the Assembly, 35th District

ROBERT LAGOMARSINO
Member of Congress, 19th District

RICHARD KATZ
Member of the Assembly, 39th District

**You must reregister to vote if you move.
If you need a registration form call the
Secretary of State at 1-800-345-VOTE
or TDD 1-800-833-8683.**

Proposition 53 Text of Proposed Law

Continued from page 5

tive maturity dates of the bonds then offered for sale at the coupon rate or rates specified in the bid, the computation to be made on a 360-day-year basis.

17696.7. The committee may authorize the Treasurer to sell all or any part of the bonds herein authorized at such time or times as may be fixed by the Treasurer.

17696.8. All proceeds from the sale of the bonds herein authorized deposited in the fund, as provided in Section 16757 of the Government Code, except those derived from premium and accrued interest, shall be available for the purpose herein provided, but shall not be available for transfer to the General Fund pursuant to Section 17695.25 to pay principal and interest on bonds.

17696.9. With respect to the proceeds of bonds author-

ized by this chapter, all provisions of Chapter 22 (commencing with Section 17700) shall apply.

17696.95. Out of the first money realized from the sale of bonds under this chapter, there shall be repaid any moneys advanced or loaned to the State School Building Lease-Purchase Fund under any act of the Legislature, together with interest provided for in that act.

17696.96. Not more than three hundred sixty million dollars (\$360,000,000) of the moneys authorized by this chapter shall be reserved for the reconstruction or modernization of facilities within the meaning of Chapter 22 (commencing with Section 17700).

17696.98. An amount not to exceed 5 percent of the proceeds from the sale of bonds pursuant to this chapter may be used to purchase and install air-conditioning equipment and insulation materials pursuant to Section 17717.6.

Proposition 55 Text of Proposed Law

Continued from page 13

the committee may act for the committee.

13895.7. There is in the State Treasury the California Safe Drinking Water Fund, which fund is hereby created.

13895.8. The committee may create a debt or debts, liability or liabilities, of the State of California, in an aggregate amount of one hundred million dollars (\$100,000,000) in the manner provided in this chapter. The debt or debts, liability or liabilities, shall be created for the purpose of providing the money to be used for the objects and works specified in Section 13895.9.

13895.9. (a) An aggregate amount of one hundred million dollars (\$100,000,000) of the moneys in the fund are hereby continuously appropriated and shall be used for the purposes set forth in this section and Section 13898.

(b) The department may enter into contracts with suppliers having authority to construct, operate, and maintain domestic water systems, for loans to suppliers to aid in the construction of projects which will enable the supplier to meet, at a minimum, safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

(c) Any contract entered into pursuant to this section may include provisions as agreed by the parties thereto, and the contract shall include, in substance, all of the following provisions:

(1) An estimate of the reasonable cost of the project.

(2) An agreement by the department to loan to the supplier, during the progress of construction or following completion of construction as agreed by the parties, an amount which equals the portion of construction costs found by the department to be eligible for a state loan.

(3) An agreement by the supplier to repay the state over a period not to exceed 50 years, (A) the amount of the loan, (B) the administrative fee as described in Section 13897, and (C) interest on the principal, which is the amount of the loan plus the administrative fee.

(4) An agreement by the supplier, (A) to proceed expeditiously with, and complete, the project, (B) to commence operation of the project upon completion thereof, and to properly operate and maintain the project in accordance with the applicable provisions of law, (C) to apply for, and make reasonable efforts to secure, federal assistance for the project, (D) to secure approval of the department and of the State Department of Health Services before applying for federal assistance in order to maximize and best utilize the amounts of that assistance avail-

able, and (E) to provide for payment of the supplier's share of the cost of the project, if any.

(d) Bond proceeds may be used for a grant program in accordance with this chapter, with grants provided to suppliers that are political subdivisions of the state that are otherwise unable to meet minimum safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code. The total amount of grants made pursuant to this chapter shall not exceed twenty-five million dollars (\$25,000,000).

(e) Notwithstanding any other provision, the proceeds of any bonds authorized to be issued under the California Safe Drinking Water Bond Law of 1976 (Chapter 10.5 (commencing with Section 13850)), and the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) which are unissued and uncommitted on the effective date of this chapter, shall be used for loans and grants to suppliers in accordance with the terms, conditions, and purposes of this chapter. Loans made after November 6, 1984, pursuant to Chapter 10.2 (commencing with Section 13810) shall carry an interest rate calculated as prescribed in Section 13897.3.

13896. (a) The department may make state grants to suppliers that are political subdivisions of the state, from moneys in the fund available for that purpose pursuant to subdivision (d) of Section 13895.9, to aid in the construction of projects which will enable the public agency to meet, at a minimum, safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code. A grant may be made by the department only upon the specific approval of the Legislature, by an act enacted after the receipt of a report filed pursuant to Section 13896.2.

(b) Any contract for a grant entered into pursuant to this chapter may include provisions as agreed by the parties thereto, and the contract shall include, in substance, all of the following provisions:

(1) An estimate of the reasonable cost of the project.

(2) An agreement by the department to grant to the public agency, during the progress of construction or following completion of construction as agreed by the parties, an amount which equals the portion of construction costs found by the department to be eligible for a state grant.

(3) An agreement by the public agency, (A) to proceed expeditiously with, and complete, the project, (B) to commence operation of the project upon completion thereof, and to properly operate and maintain the project in ac-

cordance with the applicable provisions of law, (C) to apply for, and make reasonable efforts to secure, federal assistance for the project, (D) to secure approval of the department and of the State Department of Health Services before applying for federal assistance in order to maximize and best utilize the amounts of that assistance available, and (E) to provide for payment of the public agency's share of the cost of the project, if any.

13896.1. Applications for grants under this chapter shall be made to the department in the form and with the supporting material as prescribed by the department.

13896.2. The department shall prepare a report on each grant application pursuant to this chapter. The report shall be filed with the Legislature, if it is in session or, if it is not in session, with the Joint Rules Committee. The department shall be authorized to make the grant only upon the specific approval of the grant by the Legislature, by an act enacted after the receipt of the report from the department.

13896.3. (a) Loans and grants may be made only for projects for domestic water systems. The State Department of Health Services may make reasonable allowance for future water supply needs and may provide for additional capacity when excessive costs would be incurred by later enlargement. The loans and grants may be made for all, or any part, of the cost of constructing, improving, or rehabilitating any system when, in the judgment of the State Department of Health Services, improvement or rehabilitation is necessary to provide pure, wholesome, and potable water in adequate quantity at sufficient pressure for health, cleanliness, and other domestic purposes. The State Department of Health Services shall determine and notify applicants of eligibility of components requested to be included in the proposed project. The department shall use this determination as a basis for disbursing grants. No single public agency shall receive grants pursuant to this chapter totaling more than four hundred thousand dollars (\$400,000). Loans may be made to provide for the purchase of a water system or the purchase of watershed lands. No loan to an individual supplier shall exceed the sum of five million dollars (\$5,000,000), unless the Legislature by an act raises the limit specified in this section.

(b) Upon receipt of an application for a grant or loan pursuant to this chapter, the department shall propose to the applicant improvements to the applicant's water development, distribution, and utilization system which will conserve water in a cost-effective manner. These improvements may include, but need not be limited to, leak detection and repair programs, valve repair and replacement, meter calibration and replacement, physical improvements to achieve corrosion control, distribution and installation of water conservation devices and fixtures, and other capital improvements which can be demonstrated to conserve water in a cost-effective manner. The department and applicant may agree to include these capital improvements in the grant or loan. Failure by the applicant to include water conservation capital improvements in the grant or loan application shall not be sufficient cause for the department to refuse to make the grant or loan.

13896.4. An application for a grant pursuant to this chapter shall not be approved by the department, unless the department determines that the public agency is otherwise unable to meet minimum safe drinking water standards established pursuant to Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

No grant shall be made by the department except upon approval by the State Department of Health Services of project plans submitted by the applicant and upon written

approval by the State Department of Health Services that the proposed project is consistent with Chapter 7 (commencing with Section 4010) of Part 1 of Division 5 of the Health and Safety Code.

13896.5. First priority for grants shall be granted to public agencies having immediate health related problems, as certified by the State Department of Health Services. Additional high priority shall be granted to projects to correct immediate problems, as opposed to grants for construction of projects to meet future growth needs.

13896.6. First priority for loans shall be given to suppliers with the most critical public health problems. Priority for loans shall also be given to suppliers which have a lesser capability to reasonably finance system improvements.

13896.7. Preliminary design work, including a cost estimate for the project, shall be completed before a loan or grant is awarded. Operation and maintenance costs shall be the responsibility of the supplier and may not be considered as part of the project cost. Costs for planning and preliminary engineering studies may be reimbursed following the receipt of a loan or grant, subject to approval by the department and the State Department of Health Services.

13896.8. No application for a grant may be made pursuant to this chapter unless the public agency has also applied for a loan pursuant to this chapter. A public agency shall be eligible for a grant only to the extent that the department finds that the agency is found unable to repay the full costs of a loan.

If the department has determined that the applicant is unable to repay the full costs of a loan, the applicant may also file for a grant. Upon receipt of a grant application, the department shall determine that portion of the full costs that the applicant is capable of repaying. Grant funds shall only be provided for that portion that the applicant is not capable of repaying.

13896.9. Grant funds shall be expended by the public agency within three years of the making of the grant. No grant funds may be expended by the public agency unless the public agency is able to demonstrate to the department, within one year of the making of the grant, supported by an acceptable bid, that the amount to be expended for the project will be within 20 percent of the public agency's cost estimate for the project.

13897. For the purpose of administering this chapter, the total expenditures of the department and the State Department of Health Services may not exceed 5 percent of the total amount of the bonds authorized to be issued under this chapter. The department shall establish a reasonable schedule of administrative fees for loans, which fees shall be paid by the supplier pursuant to Section 13895.9, to reimburse the state for the costs of state administration of this chapter.

Charges incurred by the Attorney General in protecting the state's interests in the use and repayment of grant and loan funds under this chapter shall be paid from the proceeds of bond sales under this chapter. These charges shall not be paid from funds allocated for administrative purposes, but shall be treated as a program expense not to exceed 1.5 percent of the total amount of the bonds authorized to be sold under this chapter.

13897.1. As much of the moneys in the fund as may be necessary shall be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

13897.2. Repayment of all or part of the principal, which is the loan plus the administrative fee, may be deferred during a development period not exceeding 10 years within the maximum 50-year repayment period,

when, in the department's judgment, the development period is justified under the circumstances. Interest on the principal shall not be deferred. Repayment of principal which is deferred during a development period may, at the option of the supplier, be paid in annual installments during the remainder of the loan repayment period.

13897.3. The department shall annually establish the interest rate for loans made pursuant to this chapter at 50 percent of the average interest rate, computed by the true interest cost method, paid by the state on general obligation bonds for the prior calendar year. All loans made pursuant to this chapter shall carry the established interest rate for the calendar year in which the funds are committed to the loan, as of the date of the letter of commitment from the department, and shall remain at that interest rate for the duration of the loan.

13897.4. (a) The department, after public notice and hearing and with the concurrence of the State Department of Health Services, shall adopt rules and regulations necessary to carry out the purposes of this chapter. The regulations shall include, but not be limited to, criteria and procedures for establishing the eligibility of a supplier.

(b) The department shall adopt rules and regulations that, in its judgment, will most effectively carry out this chapter in the public interest, to the end that the people of California are most efficiently and most economically provided supplies of pure, wholesome, and potable domestic water. The rules and regulations may provide for the denial of funds when the purposes of this chapter may most economically and efficiently be attained by means other than the construction of the proposed project.

(c) Notwithstanding subdivision (a) or any other provision of law, existing rules and regulations adopted by the department pursuant to the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) which are in effect on the effective date of this chapter, may, at the option of the department, be utilized upon voter approval of this chapter for purposes of implementing this chapter. The department, with the concurrence of the State Department of Health Services, may subsequently revise those rules and regulations pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code as necessary to implement provisions of this chapter which differ from Chapter 10.2 (commencing with Section 13810) or for any other reason to carry out the purposes of this chapter.

13897.5. The State Department of Health Services shall notify suppliers that may be eligible for loans pursuant to this chapter of (a) the purposes of this chapter and (b) the rules and regulations adopted by the department.

13897.6. (a) The State Department of Health Services, after public notice and hearing and with the advice of the department, shall, from time to time, establish a priority list of suppliers to be considered for financing.

(b) Notwithstanding subdivision (a) or any other provision of law, the priority list established by the State Department of Health Services pursuant to the California Safe Drinking Water Bond Law of 1984 (Chapter 10.2 (commencing with Section 13810)) in effect on the effective date of this chapter may, at the option of the State Department of Health Services, be utilized upon voter approval of this chapter until the State Department of Health Services adopts a new priority list.

13897.8. Not more than twenty-five million dollars (\$25,000,000) of state loans for projects shall be authorized by the department in a single calendar quarter. No contract shall be approved by the department, unless the department finds that the supplier has the capacity to repay the loan amounts specified in the contract.

At the request of the department, the Public Utilities Commission shall furnish comments concerning the ability of suppliers subject to its jurisdiction to finance the project from other sources and the ability to repay the loan.

13897.9. All bonds authorized, which have been sold and delivered pursuant to this chapter, shall constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereon.

There shall be collected annually in the same manner, and at the same time as other state revenue is collected, a sum, in addition to the ordinary revenues of the state, that is required to pay the principal and interest on the bonds, and it is hereby made the duty of all officers charged by law with any duty in regard to the collection of that revenue, to do and perform each and every act which shall be necessary to collect that additional sum.

All money deposited in the fund which has been derived from premium on bonds sold is available for transfer to the General Fund as a credit to expenditures for bond interest.

13898. (a) All money repaid to the state pursuant to any contract executed under Section 13895.9 shall be deposited in the General Fund and, when so deposited, shall be applied as a reimbursement to the General Fund on account of principal and interest on bonds issued pursuant to this chapter which has been paid from the General Fund.

(b) The department may enter into contracts with suppliers of water for grants or short-term loans for the purpose of investigating and identifying alternatives for system improvements. Any loans or grants pursuant to this section shall be made from the fund. No supplier may receive for a single investigation more than twenty thousand dollars (\$25,000) in the form of a loan or grant pursuant to this section. The State Department of Health Services shall review all proposed investigations and shall determine if they are necessary and appropriate.

(c) Any contract entered into pursuant to this section shall include terms and conditions consistent with this chapter, and any loan contract shall provide for a repayment period not to exceed 24 months.

(d) Not more than three million dollars (\$3,000,000) may be expended for the purposes of this section, of which not more than one million dollars (\$1,000,000) may be used for grants to public agencies. A loan or grant made for the purposes of this section shall not decrease the maximum amount of any other loan or grant which may be made under this chapter, Chapter 10.2 (commencing with Section 13810), Chapter 10.5 (commencing with Section 13850), or Chapter 10.6 (commencing with Section 13880).

13898.1. There is hereby appropriated from the General Fund in the State Treasury, for the purpose of this chapter, an amount equal to the sum of the following:

(a) The amount annually necessary to pay the principal of, and the interest on, the bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The amount necessary to carry out Section 13898.2, which amount is appropriated without regard to fiscal years.

13898.2. For the purpose of carrying out this chapter, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter.

Any amounts withdrawn shall be deposited in the fund

and shall be disbursed by the department in accordance with this chapter. Any money made available under this section to the department shall be returned by the department to the General Fund plus interest the money would have earned in the Pooled Money Investment Account from money received from the first sale of bonds sold for the purpose of carrying out this chapter subsequent to the withdrawal.

13898.3. Upon request of the department, supported by a statement of the proposed arrangements to be made pursuant to Section 13895.9 for the purposes stated therein, the committee shall determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter in order to make those arrangements,

and, if so, the amount of bonds then to be issued and sold. Successive issues of bonds may be authorized and sold to make those arrangements progressively, and it shall not be necessary that all of the bonds authorized to be issued shall be sold at any one time.

13898.4. The committee may authorize the Treasurer to sell all or any part of the bonds authorized at the time or times as fixed by the Treasurer.

13898.5. All proceeds from the sale of bonds, except those derived from premiums and accrued interest, are available for the purpose provided in Section 13898.5, but are not available for transfer to the General Fund to pay principal and interest on bonds. The money in the fund may be expended only as provided in this chapter.

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11551.5. Effective January 5, 1987, an annual salary of seventy-seven thousand five hundred dollars (\$77,500) shall be paid to the Attorney General.

Upon the commencement of each new term, the annual compensation provided by this section shall be increased based on the cost-of-living increases provided for state employees over the previous four years. The amount of the increase provided by this section shall be determined by multiplying the then current compensation by the combination of percentages of the general cost-of-living increases provided for state employees for the four previous fiscal years.

11552. Effective July 1, 1984, an annual salary of sixty-eight thousand dollars (\$68,000) shall be paid to each of the following:

- Superintendent of Banks.
- Commissioner of Corporations.
- (c) Insurance Commissioner.
- (d) Director of Transportation.
- (e) Real Estate Commissioner.
- (f) Savings and Loan Commissioner.
- (g) Director of Social Services.
- (h) Director of Water Resources.
- (i) Director of Corrections.
- (j) Director of General Services.
- (k) Director of Motor Vehicles.
- (l) Director of the Youth Authority.
- (m) Executive Officer of the Franchise Tax Board.
- (n) Director of Employment Development.
- (o) Director of Alcoholic Beverage Control.
- (p) Director of Housing and Community Development.
- (q) Director of Alcohol and Drug Abuse.
- (r) Director of the Office of Statewide Health Planning and Development.
- (s) Director of the Department of Personnel Administration.
- (t) Chairperson and Member of the Board of Equalization.
- (u) Director of Commerce.
- (v) State Director of Health Services.
- (w) Director of Mental Health.
- (x) Director of Developmental Services.
- (y) State Public Defender.

On July 1, the annual compensation provided by this section shall be increased in any fiscal year in which a cost-of-living increase is provided for state employees. The amount of the increase provided by this section shall be determined by multiplying the then current compensation by the percentage of the general cost-of-living salary

increases provided for state employees during that fiscal year.

11552.5. Effective January 5, 1987, an annual salary of seventy-two thousand five hundred dollars (\$72,500) shall be paid to each of the following:

- (a) Lieutenant Governor.
- (b) Secretary of State.
- (c) Controller.
- (d) Treasurer.
- (e) Superintendent of Public Instruction.

Upon the commencement of each new term, the annual compensation provided by this section shall be increased based on the cost-of-living increases provided for state employees over the previous four years. The amount of the increase provided by this section shall be determined by multiplying the then current compensation by the combination of percentages of the general cost-of-living increases provided for state employees for the four previous fiscal years.

11553. Effective July 1, 1984, an annual salary of sixty-five thousand dollars (\$65,000) will be paid to each of the following:

- (a) Chairman of the Unemployment Insurance Appeals Board.
- (b) Chairperson of the Agricultural Labor Relations Board.
- (c) President of the Public Utilities Commission.
- (d) Chairman of the Fair Political Practices Commission.
- (e) Chairman of the Waste Management Board.
- (f) Chairperson of the Energy Resources Conservation and Development Commission.
- (g) Chairperson of the Public Employment Relations Board.
- (h) Chairperson of the Workers' Compensation Appeals Board.
- (i) Administrative Director of the Division of Industrial Accidents.

On July 1, the annual compensation provided by this section shall be increased in any fiscal year in which a cost-of-living increase is provided for state employees. The amount of the increase provided by this section shall be determined by multiplying the then current compensation by the percentage of the general cost-of-living salary increases provided for state employees during that fiscal year.

11553.5. Effective July 1, 1984, an annual salary of sixty-three thousand dollars (\$63,000) shall be paid to the following:

- (a) Member of the Agricultural Labor Relations Board.
- (b) Member of the State Energy Resources Conservation and Development Commission.
- (c) Member of the Public Utilities Commission.